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POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

January 15, 2009

Hon. Steven W. Williams, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Mr. Williams:

Commission Order No. 151, issued on December 18, 2008, established new rules on tax and accounting practices for competitive products. Pursuant to the portions of those new rules appearing at 39 CFR §§ 3060.20-23, the Postal Service is hereby filing three reports for FY 2008 -- the Income Report, the Financial Status Report, and the Identified Property and Equipment Assets Report. Hard copies of the first two of those reports are attached, and also enclosed are two CD-ROMs, labeled respectively as "CP-01 & CP-02" and "CP-03."

The first CD-ROM ("CP-01 & CP02") includes Excel versions of the first two reports, the Income Report and the Financial Status Report. Those reports both include required information on Competitive Products in the aggregate, but neither includes information on particular components of the costs of Competitive Products. Information on the first CD-ROM (and within the associated reports) is therefore appropriate for public disclosure. The second CD-ROM ("CP-03") includes the Excel version of the Identified Property and Equipment Assets Report. This CD-ROM (and the associated report) includes commercially sensitive business information regarding specific cost components relating to Competitive Products. In general, the Postal Service maintains its position that materials of this nature relating to Competitive categories of mail are internal documents that, under good business practices, should not be disclosed publicly, and thus would be exempt from public disclosure pursuant to 5 U.S.C. § 552(b)(3) and 39 U.S.C. § 410(c)(2). Accordingly, the Postal Service requests that the Commission withhold all of the materials within the CD-ROM labeled as "CP-03" from public disclosure. 39 U.S.C. § 504(g).

If you have any questions or concerns about the Postal Service's position on disclosure of any information provided today or subsequently, please contact me. As in the past, the Postal Service expects that any FOIA request for the records and information provided at this time will entail consultation between the Postal Service

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and the Commission, before any records are made publicly available. This approach accords with Department of Justice guidance and with our understanding of the Commission's current policy regarding such requests, which I described in my letter to you dated March 15, 2002.

Note that one of the required entries in the Income Report is the Assumed Federal Income Tax (Line 10). In accordance with 39 CFR § 3060.40(c), however, the calculation of the assumed income tax for FY 2008 has been extended to July 15, 2009. Therefore, while the Postal Service has included its current best estimate of the assumed tax for FY 2008 on Line 10 of the Income Report, please recognize that the assumed income tax estimate is subject to change until finalized in July. Similarly, any change in the assumed income tax in July would also affect the Cumulative Net Income (Loss) After Assumed Federal Income Tax, which is Line 1 on the Financial Status Report. Therefore, if subsequent analysis suggests the need for any change in the amount of the FY 2008 estimated assumed federal income tax shown on Line 10 of the Income Report, both of those reports would need to be revisited.

The Postal Service is not submitting a Statement of Allocated Assets and Liabilities for Competitive Products for FY 2008, as 39 CFR § 3060.31 does not require the first submission at that statement until 90 days after the close of FY 2010. In accordance with 39 CFR §§ 3060.12-13, however, the Postal Service plans to provide the Commission with its proposed methodologies for the allocation of assets and liabilities to the theoretical competitive products enterprise by July 23, 2009, which is the sixth-month anniversary of the effective date of the rules. See 73 FedReg 79256 (Dec. 24, 2008).

Please contact me if you have any questions about these materials.

Sincerely,

A handwritten signature in cursive script, reading "R. Andrew German", followed by a long horizontal flourish.

R. Andrew German

Enclosures

Table 1 Proposed Competitive Products Income Statement (\$ in 000s)					PRC Form CP-01
	FY 2008	FY 2007	\$ Change from SPLY	% Change from SPLY	
Revenue					
(1) Mail and Services Revenues	8,434,500	7,908,902	525,598	6.6%	
(2) Investment Income	0	0	0	N/A	
(3) Total Competitive Products Revenue	8,434,500	7,908,902	525,598	6.6%	
Expenses					
(4) Volume Variable Costs	6,568,400	6,098,110	470,290	7.7%	
(5) Product Specific Costs	33,700	24,922	8,778	35.2%	
(6) Total Competitive Products Attributable Cost	6,602,100	6,123,032	479,068	7.8%	
(7) Net Income Before Institutional Cost Contribution	1,832,400	1,785,870	46,530		
(8) Required Institutional Cost Contribution	1,772,034	1,736,744	35,290	2.0%	
(9) Net Income (Loss) Before Tax	60,366	49,126	11,240		
(10) Assumed Federal Income Tax *	21,128	0	21,128	N/A	
(11) Net Income (Loss) After Tax	39,238	49,126	(9,888)		
Line (1): Total revenue from Competitive Products Volumes and Ancillary Services (USPS-FY08-1, page 2)					
Line (2): Income provided from investment of surplus Competitive Products revenues					
Line (3): Sum total of revenues from Competitive Products volumes, services and investments					
Line (4): Total Competitive Products volume variable costs as shown in the FY08 CRA report (USPS-FY08-1, page 2)					
Line (5): Total Competitive Products product specific costs as shown in the FY08 CRA report (USPS-FY08-1, page 2)					
Line (6): Sum total of Competitive Products costs (sum of lines 4-5)					
Line (7): Difference between Competitive Products total revenues and attributable costs (line 3 less line 6)					
Line (8): Minimum amount of Institutional Cost contribution required under 39 CFR 3015.7 (FY08 ACR, pg. 66)					
Line (9): Line 7 less line 8					
Line (10): Total assumed Federal Income Tax as calculated under 39 CFR 3060.40 (line 9 times 35 percent)					
Line (11): Line 9 less line 10					

* Note: 2008 Assumed Federal Income Tax is estimated based on a 35% corporate tax rate, the actual calculation will be completed by July 15, 2009. In 2007, there was no requirement for an assumed Federal Income Tax.

Table 2

Annual Summary of Competitive Products Financials
(\$ in 000s)

PRC Form CP-02

		Beginning Value	Change from Prior Year	Ending Value
(1)	Cumulative Net Income (Loss) After Assumed Federal Income Tax *	\$49,126	\$39,238	\$88,364
(2)	Total Financial Obligations (List of Financial Obligations)	\$0	\$0	\$0
(3)	Total Financial Investments (List of Financial Investments)	\$0	\$0	\$0
Line 1:	Beginning Value: Sum total of Net Income (Loss) as of October 1 of Reportable Fiscal Year			
	Change from Prior Year: Amount of Net Income (Loss) of Reportable Fiscal Year			
	Ending Value: Sum of Beginning Value and the Change from Prior Year			
Line 2:	Beginning Value: Sum total of Financial Obligations as of October 1 of Reportable Fiscal Year			
	Change from Prior Year: Amount of Net Financial Obligations of Reportable Fiscal Year			
	Ending Value: Sum of Beginning Value and the Change from Prior Year			
Line 3:	Beginning Value: Sum total of Financial Investments as of October 1 of Reportable Fiscal Year			
	Change from Prior Year: Amount of Net Financial Investments of Reportable Fiscal Year			
	Ending Value: Sum of Beginning Value and the Change from Prior Year			